

TESTIMONY TO THE SENATE BANKING AND INSURANCE
COMMITTEE

BY

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HEARING ON THE LONG-TERM CARE PARTNERSHIP PROGRAM
AND LONG-TERM CARE INSURANCE

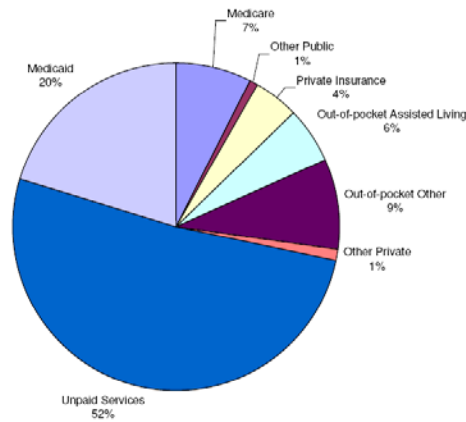
Good morning Chairman White, Chairman Stack, and distinguished Committee Members. I am Ron Barth, President and CEO of PANPHA—an Association of over 360 not-for-profit senior service providers statewide. Our members serve more than 65,000 older Pennsylvanians daily, employ over 45,000 dedicated caregivers, and tap the talents of more than 150,000 volunteers, trustees, and auxiliary members. PANPHA members serve older Pennsylvanians in 50 of 67 counties, providing affordable senior housing, adult day care, Assisted Living/Personal Care, nursing home care, and other community-based services. The vast majority of Pennsylvania's Continuing Care Retirement Communities (CCRCs)—where the concept of 'aging in place' started and is offered each and every day—are members as well.

Thank you for the opportunity to appear before you today on the long-term care partnership program and the larger issues surrounding long-term care insurance.

Ten million Americans today need long-term care, but our current financing system leaves many with unmet needs and catastrophic costs. I have provided you with a chart from a report completed by our national Association—the American Association for Homes and Services for the Aging (AAHSA). Many people have the misconception that the federal Medicare program will cover their long-term care needs when they grow old—which is simply not the case. In fact, as the pie chart shows, Medicare is a relatively small payer for long-term care in the U.S., trailing far behind 'unpaid care' (e.g., provided by a family member or friend free of charge) and the state/federal Medicaid program. It is also telling that private insurance—the very 'long-term care insurance' that we are here to

discuss today, provides only 4% of the total funding for long-term care in the U.S.

Figure A: Funding Sources for Long-Term Care, Including the Economic Value of Services Provided Without Charge by Families (see text for sources)



And, the needs that our population faces are very real. As the AAHSA report notes, in 2000, the most recent national data available on functional needs and limitations, nearly 10 million Americans needed long-term care assistance, of which close to 40 percent were under age 65. Most of those who need help live in the community, not in nursing facilities or assisted living: 83 percent of all those needing help and 96 percent of those under age 65 who need help live in the community. Those in nursing facilities or assisted living are more severely impaired—75 percent need help with three or more activities of daily living or ‘ADLs’, such as going to the toilet, bathing, eating, and getting into and out of bed-- and 50 percent have some form of dementia. There are also 1.8 million adults in the community who need help with three or more ADLs; thus 22 percent of those needing long-term care and living in the community are severely impaired. These are the current levels of care and service need. With our aging population and the impending arrival of the ‘baby boom’ generation as elders, these needs will grow exponentially. While we are past the time when a solution

should be in place, we are not too late to implement something that can and will free up increasingly scarce tax dollars while meeting the needs of our aging population.

PANPHA has long believed that a robust private long-term care insurance market is one of the keys to finding a 'solution' to the funding challenges that our aging population will present. The long-term care insurance (LTCI) partnership program was developed in the 1980s to encourage people who might otherwise turn to Medicaid to finance their long-term care (LTC) services to purchase LTC insurance. If people who purchase qualifying policies deplete their insurance benefits, they may then retain a specified amount of assets and still qualify for Medicaid, *provided they meet all other Medicaid eligibility criteria*. The states of California, Connecticut, Indiana, and New York were the only states to achieve fully operational LTC Partnership programs before OBRA '93 included a provision that precluded other states from offering partnership policies. This prohibition lasted until the Deficit Reduction Act (DRA) of 2005 removed it, which resulted in a number of states enacting the ability to offer partnership policies, including Pennsylvania. I, like you, look forward to hearing today how the availability of 'partnership' policies in Pennsylvania is expanding the take up rate of private long-term care insurance in Pennsylvania. Many studies of the original four (4) LTC partnership states have shown a take up rate for long-term care insurance among the elderly that was no greater than the rate in those states without partnership programs. In fact, a December 2004 study by the Brookings Institute and the George Washington University School of Public Health and Health Services found that the partnership policies in force at the time of the study represented 1.5 to 5.7 percent of the elderly populations in California, Connecticut, Indiana, and New York, while the nationwide rate of purchasing LTC

insurance; according to a Health Insurance Association of America report, is 16.6 percent of the nation's elderly population.

This is not to say that the long-term care partnership programs are not a needed addition to the long-term care insurance menu of options. Rather, these data would seem to indicate what many of us already know from our personal experience—long-term care insurance is often last on the list of insurance that we are willing to pay for when we're young, and it is often unavailable or unaffordable to us once we're older and are beginning to gain a clearer picture of what our care and service needs will be as we age.

PANPHA absolutely believes that we must act NOW to adopt an insurance model for financing long-term care, rather than relying so heavily on Medicaid—a pay-as-you-go welfare model that leaves many with unmet needs and requires that people impoverish themselves before qualifying. The need for long-term care is a risk, not a certainty, with catastrophic financial consequences for the unlucky. An insurance model can spread the risk more equitably and, if implemented in sufficient time, prefund the baby boomers' coming care needs. While we would like to live in a world where all citizens understand the need to purchase private LTC insurance and find it affordable and/or available, that simply isn't the reality in the U.S. today. It is highly unlikely that this reality will change without a commitment to a system which fosters as close to universal coverage as possible because all Americans, to the extent feasible, should have access to long-term care without impoverishing themselves and their families and because substantially mitigating expected future Medicaid costs requires nearly universal insurance coverage with good protections. Our national Association has developed such a plan in their 'Long-Term Care Solution'

www.thelongtermcaresolution.org . I have included the weblink to that you can find more information on the plan as well as a very brief written summary of the plan. Given that the goal is universal (or nearly so) participation in an insurance system providing the greatest benefits for the lowest costs, what is the best way to get there? The AAHSA plan is built around the premise that private long-term care insurance should remain an important component of a national financing strategy, but we must build a 'foundation' for financing long-term care with a broad-based public insurance program with low overhead costs and an all-inclusive risk pool. The public insurance program that they are proposing would be financed by premiums, not by general tax revenues. The premiums would be established in line with benefits to produce an actuarially sound program, and people with very low incomes would receive financial assistance to purchase the insurance. For instance, it would cost 73 cents a day in premiums to provide one year of benefits of \$75 per day cash to those who need assistance with two or more activities of daily living (ADL). It would cost \$2.87 per day in premiums to provide a lifetime of benefits of \$75 per day cash to those who need assistance with two or more ADL's.

The program would consist of a disability (cash payments) model because long-term care services and supports should be driven to meeting the needs of individuals, not forcing individuals into settings where the funding has traditionally flowed. Workable models of cash payments exist in both the successful Cash and Counseling demonstrations operated in three states and the German system implemented a decade ago.

We must act now to implement this or a similar plan. Among those turning 65 today, roughly 30% will avoid the need for long-term care services in some form.

However, 37% are projected to need some care, and a full 20% are projected to have long-term care and service needs for 5 years or more. At a cost of \$200-\$300/day for a private room in a nursing home; three to four thousand dollars per month for assisted living; and \$15-\$25/hour for home companions or home health aides, those who need long-term care and services for an extended period of time will rapidly spend their savings without some type of private coverage, and they will become part of the spending 'challenge' facing the state/federal Medicaid program.

Pennsylvania's seniors deserve better than the annual budget practice here in Pennsylvania of fully funding senior care and services only if there is money remaining after we've met our "obligations" to fund education, transportation, corrections, and economic development. Regardless of the state of the economy or lagging state revenues, the care and service needs of Pennsylvania's seniors continue to grow. As the 'boom' approaches, we can and must do better for our seniors. Working together to develop a fiscally responsible, sustainable long-term care insurance benefit that all Americans have access to is long overdue.

Pennsylvania's seniors and the taxpayers who foot the bill for a large proportion of their care cannot afford to wait any longer to begin putting the framework in place for a long-term care financing solution based on an insurance model.

PANPHA stands ready to work with you to create this system, and I would be happy to answer any questions that you have.